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3 May 1963

MEMORANDUM FOR: Comptroller

**SUBJECT : Luncheon Conversation with Mr. []
Concerning Centralization of Computers**

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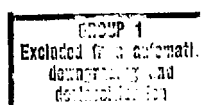
25X1 You are advised that the following is a summary of my statements to Mr. [] at a luncheon several weeks ago:

1. I do not disagree with the general theory that advantages can be gained with respect to machine utilization by centralization of equipment. This advantage does not mean that all equipment must be centralized and, as a matter of fact, I would advocate that although there might profitably be established a centralized computer center for a great many services, certain computer activities should be separated on a decentralized basis from such a center where security and/or technical factors make this more desirable. I believe you have indeed recognized this point of view because in proposing the establishment of a computer center you excluded from it NPIC and WALNUT.

2. I believe that the 501 system should be excluded from such a center for many reasons some of which are as follows: The Comptroller is charged with maintaining control of the assets of the Agency, particularly funds, and as long as he has the management responsibility of the machines that record the detailed accounting records and produce the accounting and budgetary reports he can be held accountable for failings of the system and for providing timely and accurate information. If this responsibility is taken away from him he is no longer the person that should be held responsible. If I were the Director I would not want this situation to exist.

3. If the 501 system is placed under the management of the ADPS it will result in Comptroller's activities being under non-professionals in accounting, budgeting, payrolling and other fiscal matters. In the final analysis this will result in the Chief of the 501 system and his personnel really looking to the Comptroller's Office (TAS, Finance

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Division, Budget Division, etc.) for their direction and guidance even though they are in fact on paper under the guidance of ADPS. Even at the present time the one person whom we have assigned to the ADPS and who is supposed to obtain guidance from the ADPS with respect to developing new applications and improved procedures for Comptroller activity is not obtaining any real guidance from the ADPS but instead is operating almost completely on his own and the majority of direction that is given him is supplied by the Office of the Comptroller. You have admitted to this to me and I, therefore, do not see why you would not agree that the same situation would develop with respect to the ADP personnel in the 501 system if they were transferred to the ADPS.

4. If we were to transfer the ADPD of the Comptroller's Office to a computer center it would appear that the only real way to obtain advantages in machine utilization would be to transfer the present operations from the 501 system to the 1401-1410 system (or in other words, the only manner in which real advantages can be gained is by having all machines compatible). To make such a transfer would be very expensive since it would require complete reprogramming of the present 501 programs, a loss of investment in presently trained personnel, a loss of investment in magnetic tapes which have been purchased, the cost of retraining personnel to new machines and a loss of time due to the fact that improvements would be stagnant over the change period of at least two years. (Note: I did not give the following information and figures to Mr. [redacted] The following were supplied to me by Mr. [redacted])

a. There are at present 200,000 steps in the ADPD program library and this is increasing daily. This is conservatively estimated at forty man years of programming effort. It would take a staff of twenty programmers at least two years to convert the current operating programs (and programs in process) to a different computer system. To accomplish this in the given time limit, no changes in the present procedures could be allowed.

b. Conversion of existing records, purchase of new magnetic tapes, retraining of personnel, programming costs and change of data preparation machines are estimated to cost \$500,000.

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c. In addition, parallel costs, including principally double rental, would have to be assumed for the two computer systems until the conversion was completed. This would be an indefinite period, depending upon the success of the conversion.

5. It appears to me that the practical approach would be for the ADPS to establish a computer center excluding NPIC, WALNUT and the RCA 501 system. The center would operate as an all purpose service center and over a period of time those activities now on the 501 system which do not pertain to accounting, budget, payroll and fiscal activities could be transferred to such a center. This would result in budget, accounting, payrolling and other fiscal activities being under the direct control of the Comptroller. It also appears to me that this would be a good utilization of the 501 system since at the present time the system is being utilized approximately 300 hours (net) per month or substantially beyond the 200 hours of regular time available Comptroller applications to the system accounts for about 165 hours a month on the present equipment or about 55 percent of production time. When the confidential funds payroll and Fiscal Division accounts are added (now in process of being added) the 165 hours will increase to approximately 210 hours for Comptroller activity. Also, if future applications are considered, such as confidential funds control, Agency retirement records, and budget estimates, the total Comptroller production time is estimated at more than 300 hours. Obviously removal of service for components other than the Comptroller would permit the 501 system to be utilized for the 300 or better Comptroller hours and at the same time eliminate some of the double shifts or overtime. From the Comptroller viewpoint this would also eliminate some of the present conflicting priorities for other customers. (Note: I did not make the foregoing statement to Mr. [] in the same detail given here. Also I do not recall having made the following statement to Mr. [] but it is a fact, I believe, that placing the machines adjacent to others in a consolidated location would not provide very much time to be utilized for other activities if the utilization for Comptroller projects will be as extensive as we now estimate.

6. In order to test our thinking on the subject of centralization we contacted the Systems and Procedures Policy Staff of the General Accounting Office and requested their latest thinking concerning centralization of computers in the various departments of the Government. They

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indicated that centralization was good theory and should be seriously considered where substantial improvements in machine utilization will result, but that the disadvantages of weakening the management of an operation must be weighed heavily against any such saving. Furthermore, in the case of business type applications, especially accounting, it is their finding that it is often better to retain such an installation under the financial management regardless of the fact that some better machine utilization might be obtained by consolidation with other machine units.

7. I believe that the ADPS should only have responsibility for keeping up with the state of the art, coordinating the purchase of appropriate equipment, conducting long term surveys, and recommending new applications to the various machine units. This, I believe, is their present charter and while it has not operated satisfactorily as far as the RCA 501 is concerned I believe this is because the ADPS has not been able to obtain, as yet, the proper competence. I believe that an all purpose computer center should also be operated to a large extent separate from the ADPS. However, if you, as Chief of the ADPS, feel that such a center should be operated by you I admit that such an arrangement might be successful but there would always be the danger that the problems of managing the center would interfere with the very important responsibilities for development of long range applications and procedures. In other words, mixing staff and operational responsibilities together usually is not an efficient or successful arrangement.

8. Mr. [] listened attentively to what I had to say and stated that perhaps I was correct in my analysis and that he would think it over.

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[]
Deputy Comptroller

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